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Cincinnati Bell Telephone®

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December 10, 1997

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street NW Room 222
Washington DC 20554

In the Matter of:	)	
	)	
Amendments to Uniform System of Accounts for Interconnection	)	CC Docket No. 97-212
	)	
	)	

Dear Ms. Salas:

Enclosed are an original and eleven copies plus two additional public copies of the Comments of Cincinnati Bell Telephone Company in the above referenced proceeding. A duplicate original copy of this letter and attached Comments is also provided. Please date stamp this as acknowledgment of its receipt and return it. Questions regarding these Comments may be directed to John Wilcox at the above address or by telephone on (513) 397-5569.

Sincerely,

David L. Meier

David L. Meier

Enclosure

cc: International Transcription Service, Inc.
Matthew Vitale, Accounting and Audits Division (paper copy and diskette)

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington D. C. 20554

In the Matter of	)	
	)	
Amendments to Uniform System of	)	CC Docket No. 97-212
Accounts for Interconnection	)	

COMMENTS OF CINCINNATI BELL TELEPHONE

Cincinnati Bell Telephone Company ("CBT"), an independent, mid-sized local exchange carrier, submits these comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM")[1].

I. INTRODUCTION

In the NPRM, the Federal Communications Commission ("Commission") advances four goals for requiring new accounts and subsidiary recordkeeping requirements.[2] CBT believes that each of these goals can be met without the creation of new accounts or expense allocation procedures. The existing Uniform System of Accounts ("USOA") reflects the Commission's previous philosophy of accounting for revenues by service type and accounting for expenses by function. The proposals contained in the NPRM introduce a new cost accounting methodology into the accounting system and, with it, a mixed bookkeeping orientation. These proposals would unnecessarily complicate the USOA by introducing a new type of expense apportionment mechanism based on forward-looking

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[1] In the Matter of Amendments to the Uniform System of Accounts for Interconnection, Notice of Proposed Rulemaking, CC Docket 97-212, released on October 7, 1997 .

[2] NPRM at ¶ 6.

cost studies. Such a cost identification process has never been used before, and the data would not be relevant or useful in meeting the Commission's goals. As a result, CBT urges the Commission to consider preserving the current Part 32 account 5240, Rent Revenue, and account 6540, Access Expense, for the booking of interconnection, unbundled network access, resale, and transport and termination revenues and expenses.

II. INTERCONNECTION AND UNBUNDLED NETWORK ACCESS ACCOUNTS

The Commission stated that, "the purpose of Part 32 and the overall intent of the [1996 Telecommunications] Act [is] to remove legal and regulatory burdens to competition."[3] That objective applies equally to the issue in this docket. Instead of creating new revenue and expense accounts, new cost apportionment methodologies, and new detailed recordkeeping requirements, the Commission should attempt to minimize legal, regulatory, and administrative burdens. The current accounting system is already capable of performing the functions desired by the Commission to ensure uniform reporting and to monitor and assess competition.

Unbundled network elements provided by an incumbent local exchange carrier ("ILEC") are connection facilities obtained through a contractual arrangement and may

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[3] NPRM at ¶18.

be likened to a lease arrangement. The Part 32 account for revenues from lease arrangements is account 5240. Therefore, revenues for unbundled services should be recorded in account 5240, Rent Revenue. No new account needs to be created.

The Commission expands the scope of proposed account 6551, Interconnection and Access to Unbundled Network Elements, by considering the inclusion of the costs of providing interconnection. Its discussion covers the following two cost categories: 1) unbundled network elements; and 2) interconnection.

With respect to unbundled network elements, the Commission explained that

> the costs associated with each unbundled network element are recorded in numerous Part 32 accounts. The particular combination of accounts varies for each element. Although additional amounts may be incurred, we tentatively conclude that these amounts may be recorded within existing accounts.[4]

On the other hand, with respect to interconnection costs, the Commission has proposed establishing subsidiary accounting records [for account 6551] to record the costs associated with providing interconnection.[5]

Consistency must be maintained in the USOA in order to produce accurate information. It is confusing and contradictory that the unbundled network element costs are driven to a combination of appropriate Part 32 accounts, while the interconnection expenses will be driven to a single new account. Likewise the proposal to use forward-looking cost studies as an allocation method to drive the expenses to subsidiary records, while all other company expenses are on a current basis, works against the Commission's goal of consistency. A new account is not needed for interconnection and unbundled

[4] NPRM at ¶14.
[5] NPRM at ¶14.

network elements. Instead, interconnection expenses, like unbundled network element expenses, should be driven to the appropriate Part 32 accounts.

Another problem with the proposed new accounts is that, by establishing new revenue and expense accounts, there would be a natural tendency to try to compare the interconnection and unbundled network element revenue account with the expense account in order to ascertain the profitability or viability of the services and elements. However, this would be an incorrect and misleading use of the information. Consider the following as an illustration of the recording inconsistencies. Assume that CBT purchased telecommunications services from a competitive local exchange carrier ("CLEC") in order to carry local calling traffic. In this example, the expenses would be driven to account 6551, but the revenues derived from this would be booked into a local revenue account. A similar situation exists for any unbundled network element revenues, which would drive to account 5071, while the expenses would drive to various Part 32 accounts. The creation of account 5071 and account 6551 may give the appearance that interconnection and unbundled network element service revenues can be matched with its expenses, but, as illustrated above, the appearance is misleading.

III. TRANSPORT AND TERMINATION ACCOUNTS

As with interconnection and unbundled network element accounts, the creation of separate revenue and expense accounts for transport and termination is an attempt to turn the USOA into a cost accounting system, which it is not. These revenues and expenses can be driven to accounts 5240 and account 6540 without compromising any of the Commission's goals. Reciprocal compensation arrangements, which exist today, could still be handled within the framework of the 5240 and 6540 account structures.

IV. RESALE ACCOUNTS

The Commission also seeks comment on whether new subsidiary recordkeeping requirements should be established within the existing Part 32 revenue accounts to accommodate services sold to CLECs on a wholesale basis. CBT believes that this would be useful and is in support of this approach.

The Commission has proposed that Account 6553, Purchased Telecommunication Service Expense, be used for the purchase of telecommunications services from another company for resale purposes. There is no reason to track individual purchases, only to book the total amount of the purchases each month. Consequently, CBT suggests that the addition of a subsidiary record in account 6540 would capture the same information without the burden and administrative costs of setting up a new account.

V. INFRASTRUCTURE SHARING

The NPRM briefly addresses the topic of "infrastructure sharing" and tentatively concludes that new Part 32 accounts are not needed in this regard.[6] The Commission correctly points out that these types of agreements have been in existence for many years, and that competition is not limited or harmed by these arrangements. CBT agrees with the Commission's conclusion and sees no reason to add any new accounts or subsidiary recordkeeping requirements with regard to infrastructure sharing.

[6] See NPRM at ¶16.

VI. CLASSIFICATION OF COMPANIES

The Commission has historically established two categories of companies subject to Title II regulation which must follow the USOA rules and regulations.[7] A company's total regulated operating revenues determine whether it should follow the detailed accounting rules or, instead, maintain a summary level version of the USOA. In the NPRM, the Commission asks whether the USOA should, for competitive reasons, only apply to the ILECs.[8] Today, most ILECs are also facing competition. CBT recommends that the Commission should also provide relief from burdensome regulation for the ILECs so that they may fairly compete. This can be done by continuing to streamline and reduce reporting requirements; revising the USOA threshold requirement; or basing the threshold requirement on something other than regulated operating revenues. Competition will impact every telecommunications company, and the Commission must not overlook the ILECs.

VII. CONCLUSION

CBT agrees with the Commission's goals regarding monitoring, uniform reporting, and preventing cross-subsidization, as discussed in the NPRM. These goals can be accomplished, however, without the creation of new accounts and extensive subsidiary recordkeeping requirements. The current revenue account, 5240, Rent Revnue, and expense account, 6540, Access Expense, can be used to meet the Commission's goals.

With regard to the company size classification proposal, in view of growing competition, the Commission should not selectively require the adoption of USOA.

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[7] See 47 C.F.R. §32.11.
[8] NPRM at ¶18.

Instead, all companies should compete on a level playing field. Therefore, the current size classification rules should not be changed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the copies of Cincinnati Bell Telephone Company's Comments have been sent by first class United States Mail, postage prepaid, or by hand delivery, for December 10, 1997, to the persons listed on the attached service list.

Judy Piepmeier

Judy Piepmeier

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